INVADER

EXPLORATION INC.

2000 Annual Report

INVADER EXPLORATION INC.

Corporate Profile

***Invader Exploration Inc.** is an oil and gas company based in Calgary, Alberta, Canada and is listed for trading on the Canadian Venture Exchange **(Symbol INX).** The management and directors of Invader have extensive technical, financial and entrepreneurial expertise and a proven track record of successful ventures.*

The Company will utilize exploration and development drilling as the primary tool for growth and will focus its efforts on natural gas exploration within the southern United States, an area with great potential for exploration success and high demand and price for the reserves found. The Company has acquired a significant land base and prospect inventory within the Arkoma Basin located in Oklahoma and Arkansas and in southern Texas. Production has been established in both areas and is expected to grow rapidly in the near future.

Annual Meeting

The Company has scheduled an Annual and Special Meeting of the Corporation to be held at the offices of the Corporation at 1980, 700 – 4th Ave., S.W., Calgary Alberta at 9:00 AM on June 18th, 2001. All shareholders are invited to attend the meeting.

Cover Picture

Gas flare during drilling of the Muldow #1-31 well, estimated rate of 5 mmcf/d.

Table of Contents

"boe"	Barrels of oil equivalent	"mmcf"	Million cubic feet
"bbls"	Barrels	"mmcf/d"	Million cubic feet per day
"mcf"	Thousand cubic feet	"boe/d"	Barrels of oil equivalent per day
"mcf/d"	Thousand cubic feet per day	"bcf"	Billion cubic feet
"mbbls"	Thousand barrels	"tcf"	Trillion cubic feet

President's Message to the Shareholders

The year 2000 was a year of significant change and growth for the Company. The most significant event to occur during the year was the establishment of a corporate relationship between Invader and Proprietary Industries Inc. (PPI), a highly successful and well-financed TSE listed company that is involved in oil and gas, mining and real-estate development through direct investments as well as through investments in associated companies such as Invader. Invader acquired producing properties and undeveloped lands from PPI in exchange for shares and completed a private placement with PPI that provided the Company with $1.0 million. In the short term, these two transactions provided Invader with immediate production and cash flow, undeveloped lands with upside drilling potential and cash to proceed with existing exploration and development opportunities. It has also given Invader a major, long-term shareholder that is well financed and committed to the growth of the Company.

During the year, the Arkoma Project was re-organized. The technical and management functions were moved to Calgary and a commitment to acquire detailed new seismic data over all proposed drilling locations was made. These changes have had a significant impact on our results. The last four wells drilled have all been gas discoveries. We remain confident that significant new gas reserves will be found on our large undeveloped land base in the Arkoma Basin. Invader's activities in south Texas have also been successful during the past year and are growing rapidly. The Pandura discovery made in late 1999 went on stream in June and is a strong cash flow producer. In February we offset the initial well and have cased a new multi-zone discovery, which will be on stream in June. A new high potential Vicksburg gas play is scheduled for evaluation this summer and the Company plans to drill another new low risk development project in late 2001.

The general tone of the oil and gas sector has shown considerable improvement during 2000. Both oil and natural gas prices were strong throughout the year. We remain especially optimistic about natural gas prices in the US. Demand for clean burning fuels is increasing while supplies are continuing to decline due to the depletion of existing reserves and the lack of success from new drilling. The California power crisis illustrates the potential effect that these shortages can have on energy prices and these shortages will not be resolved for several years or more.

High oil and gas prices have produced record cash flow and earnings for many companies. This fact combined with the demise of the "tech sector" has revived investor interest in the oil and gas sector. The majority of this interest has focused on the intermediate to senior level companies, however the small cap juniors are starting to benefit as well. We are confident that Invader will benefit from this renewed interest. European investors are very keen on the natural gas sector and Invader, through our PPI affiliation, has the potential to benefit from this through new equity financing and general market investment.

The Company's objective for 2001 is to significantly increase reserves, production and cash flow. Drilling success during the first quarter of 2001 has given us a good start to attaining these goals. These new wells are currently being completed in preparation for tie-in and production and we are preparing to drill several new high potential prospects. Funding for these exploration and development activities will come from internally generated cash flow, additional equity issues and other forms of financing.

In conclusion, I would like to thank the loyal Shareholders of Invader for their continued confidence and support. The Company has no debt, revenue flow from a growing production base, the backing of a well financed major shareholder and an inventory of exploration and development prospects located on long-term leases. The management and Board of Directors of Invader are committed to the successful development of the Company and we believe 2001 will be one of significant growth.

Respectfully submitted on behalf of the Board of Directors,

C Kathol

Conrad Kathol, President and Director
May 10, 2001

REVIEW OF OPERATIONS

During the year the Company focused its efforts on the evaluation of a number of its existing prospects in the Arkoma Basin and in south Texas. The following is a brief description of the project areas and the results of activities conducted during 2000:

LAND HOLDINGS

A key factor in the continued growth of any resource company is its undeveloped land base; the source of its future reserves. Invader has established a large land position concentrated in Oklahoma, Arkansas and Texas.

Undeveloped Lands(1)	Gross Acres(2)	Net Acres(3)
Arkoma Basin	44,135	10,693
Texas	3,689	155
Canada	1,120	98
Total	**55,130**	**10,946**

(1) "Undeveloped land position" refers to those lands in which Invader has an interest and which have not been assigned reserves.

(2) "Gross Acres" means the acres of land in which Invader has a working interest.

(3) "Net Acres" means the sum of the products obtained by multiplying the number of gross acres by Invader's percentage working interest therein.

Invader currently holds an average 25% working interest in approximately 44,135 acres (10,693 net) of land in the Arkoma Basin in Oklahoma and Arkansas. In addition, the Company holds interests ranging from 2.5% to 21% in approximately 3,689 acres (155 net) located in southern Texas. During the year the Company increased its interest in the Pandura property from 4.25% to 21.25% and acquired properties in Oyen, Alberta and Black Slough, North Dakota. In the future, the Company plans to continue with an aggressive land acquisition program in order to enhance its existing areas of activity and to provide exposure to new projects.

AREAS OF ACTIVITY

The Arkoma Basin Project

The Arkoma Basin is a high potential, natural gas prone basin located in eastern Oklahoma and western Arkansas. Independent studies estimate the potential for new discoveries in the Basin to be 20 to 50 tcf of gas. Detailed in house mapping has been completed utilizing over 6,000 miles of regional 2-D seismic and over 100 prospect leads have been identified. Over 50,000 acres (12,500 net) of prospect specific lands have been leased. The prospects are generally high reserve potential, multi-zone plays.

Muldrow (12.7% WI) – the Company holds interests in 3,172 acres and three wells in this shallow multi-zone prospect located in eastern Oklahoma. The primary zone of interest, the Boone, is a fractured carbonate with up to 78 feet of gross gas pay. The Buie #1-31 well, drilled in October, has been completed in this zone and will be placed on stream in May. Potential rates and recoverable reserves from this zone are difficult to estimate due to the fractured nature of the reservoir, however, gas in place numbers are significant and the Company has up to three Boone development locations identified on its lands.

Additional shallow zone reserves have been found in the area as well. The Allen #1-26 well, drilled in November, has been completed in 26 feet of Cromwell sandstone and the well has 24 feet of net pay indicated on logs in the Dunn sands. This well will be on stream in May with production estimated at 200 to 300 mcf /d. The Spiro sandstone has up to 15 feet of net pay indicated on logs in the Buie #1-36 and #1-31 wells and will be evaluated this summer in the Buie #1-36 well bore.

The Muldrow area has significant multi-zone shallow gas potential. Invader is currently participating in additional seismic and land acquisition. We anticipate that production in the 1.0 to 2.0 mmcf/d (0.13 to 0.26 net) will be established by mid-year and that additional drilling in the next year could double this figure. Two development wells are scheduled for drilling in the second half of 2001.

Jerusalem (24.7% WI) – the Company holds interests in 1,004 acres (2458 net) and one well in this shallow multi-zone prospect located in western Arkansas. The Link #1-15 well, drilled in February, encountered potential pay in the Hunton carbonate (146 feet gross) and in the Hale sandstone (28 feet net in a 68 foot gross interval). The well will be completed and tied in during May. Production rates are unknown until the zones are stimulated; however the Hale zone flowed continuously at rates of 0.5 to 1.0 mmcf/d during the drilling operation.

The Jerusalem area has significant multi-zone gas potential. We anticipate that production in the 1.0 to 2.0 mmcf/d (0..25 to 0.50 net) will be established by mid-year and that additional drilling would occur by year-end.

Center Ridge (25.0% WI) – the Company holds interests in 781 acres (195 net) on this shallow multi-zone prospect located in western Arkansas. The prospect has been confirmed by new 2-D seismic and is a well-defined structural closure with up to 30 bcf of recoverable reserve potential contained within the primary target zones (the Barton, Hale and Hunton). The exploration well, which will be drilled in May, is estimated to cost approximately $300,000 gross.

The Center Ridge prospect is an example of the high potential, highly economic prospects that Invader has identified and acquired within the Basin. The Company remains very optimistic that significant natural gas reserves will be found in the Arkoma Basin. The use of detailed 2-D seismic prior to drilling has produced four successful wells during this past year. Detailed geological mapping and additional seismic acquisition has identified additional drillable locations on our existing land base and numerous new prospect leads. We anticipate that a minimum of two new pool exploration wells and three development wells will be drilled in the Arkoma Basin during 2001.

South Texas Project

Invader has a second activity area established in southern Texas. Like Arkoma, the area offers excellent opportunities to acquire multi-zone, natural gas prospects and has high demand and prices for gas. The prospects are generally intermediate depth targets that have been identified on 2-D and 3-D seismic and are typically located adjacent to or below existing or abandoned shallow zone production.

Pandura (16.2 to 21.3% WI) – the Company holds interests in 710 acres (121 net) and two wells in this intermediate depth multi-zone prospect. The primary zone of interest, the Lobo, consists of a porous, low permeability sandstone which can have up to six pay intervals and a total gross pay thickness of several hundred feet. The KM #1 (21.25% net) well is completed in the Lobo #1 zone and has been on production since June 2000 at rates of 1.0 to 1.5 mmcf/d (0.21 to 0.32 net). The Hein #1 (16.23% net) well was cased in March and will be perforated and frac stimulated in the Lobo #1, #3 and #6 sands in May. A lower siltstone interval (133 feet gross thichness) will also be perforated and frac stimulated in the Hein well. We anticipate that production in the 2.0 to 3.0 mmcf/d (0.32 to 0.49 net) will be established and on stream from the Hein #1 by mid-year. Another development well (16.23% net) is expected to be drilled by year-end of 2001. Netbacks from this liquid rich, high BTU gas currently exceed Cdn. $6.00 per mcf

Mission (2.5 to 10.0% net) – the Company holds various interests in 3,300 acres on this intermediate depth multi-zone prospect. The prospect has been confirmed by 2-D and new 3-D seismic and is estimated to contain up to 100 bcf of recoverable reserve potential within the primary target zones (multiple Vicksburg sands). The exploration well on this prospect, which will be drilled by mid year, is estimated to cost approximately $2,250,000. The well will be drilled adjacent to an abandoned well drilled in 1960, which tested gas from a 300 foot interval of inter-bedded "tight" Vicksburg sands. No frac stimulation was attempted on this old well. In addition the well will be located approximately two miles north and on strike with a recently announced Vicksburg discovery well that is producing over 10 mmcf/d from a deeper Vicksburg zone which was never penetrated at the proposed location.

Mission prospect is an example of the high potential, highly economic prospects that Invader is pursuing in southern Texas. We are currently negotiating the acquisition of an interest in a new low risk development project that would be drilled in late 2001.

Drilling Activity

Invader participated in the drilling of two (0.30 net) wells during 2000, resulting in the discovery of one gas well. The wells were located in Oklahoma and Alberta. Since year-end 2000, Invader has participated in the drilling of three (0.54 net) wells, resulting in the discovery of three gas wells. These new wells are located in Oklahoma, Arkansas and Texas. During the balance of 2001 Invader plans to drill eight (1.73 net) wells, including four development wells, and four new pool exploration wells. Drilling is planned for natural gas prospects located in Oklahoma, Arkansas and Texas and Invader plans to drill at least one horizontal oil prospect located in North Dakota. The results from 2-D and 3-D seismic programs that are being shot in the Arkoma Basin may result in additional drilling locations for late 2001.

Production

Results from drilling activities and production acquisitions completed during the year resulted in the Company's production increasing from 27 boe/d in 1999 to an average of 38 boe/d in 2000. The December 2000 production rate was 69 boe/d, and increase of 155% from the 1999 average, and the product mix was 85% natural gas and 15% light oil. Invader has focused its exploration and development activities in the southern United States and 75 % of the Company's current production is natural gas coming from these areas (the Company uses a six to one gas to oil conversion).

Based on drilling results achieved during the first four months of 2001 and the anticipated risked results of the remaining drilling planned for the balance of the year Invader conservatively estimates that 2001 annual production will average over 100 boe/d and that year end 2001 rates will exceed 200 boe/d.

Reserves

Chapman Petroleum Engineering evaluated the majority of Invader's reserves. The Chapman Reports evaluate the proved and probable oil and natural gas reserves of Invader's interest for the properties located in the Arkoma Basin in Oklahoma as at December 31, 2000 and in the Pandura Property in Texas as at April 1, 2001. An internal estimate of the Company's net reserves at Weyburn and Oyen was also completed. The following table presents the consolidated results of these evaluations based on the escalated price case:

RESERVES CATEGORY	GAS		OIL	
	GROSS (mmcf)	NET (mmcf)	GROSS (mbbls)	NET (mbbls)
Proven Producing	581	0	33	0
Proven Non-Producing	271	0	0	0
Total Proven	**798**		**33**	**0**
Probable	387	0	6	0
Total Proven + Probable	**1,185**	**0**	**39**	**0**
50% Reduction for Risk	(194)	(0)	(3)	0
Risked Proven + Probable	**992**	**0**	**36**	**0**

"**Gross**" reserves are defined as the total of the Company's working interest share before deduction of any royalties owned by others. "**Net**" reserves are defined as the total of the Company's working interest share after deduction of any royalties owned by others.

After adjustments for production, acquisitions/divestments, revisions and discoveries, Invader's reserves of natural gas increased by 187% during the year to total 1,185 mmcf. Oil reserves declined to 39 mbbls from 85 mbbls due primarily to revisions and production.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is a review of Invader's historical financial and operating results and should be read in conjunction with the audited consolidated financial statements and accompanying notes.

Revenues

Petroleum and natural gas revenues, net of royalties, for the year ended December 31, 2000 were $376,463, a 328% increase compared to $87,993 for the year ended 1999. The increase resulted from new production established at Pandura in Texas and the acquisition of producing properties at Pandura and Oyen in eastern Alberta. The average gross price received was $30.49 per barrel of oil equivalent. The natural gross gas price averaged $5.08 per mcf.

Royalties

Total royalties as a percentage of gross income increased to 11% in 2000 as a result of the additional freehold royalties at Pandura and increased product prices. Royalty expenses increased to $46,485 due to increased production and revenues. The Company expects to receive a Texas state severance tax refund from production at Pandura. A refund of approximately 4.5% out of the 7.5% severance tax paid is expected.

Production Expenses and Operating Netbacks

Operating costs and royalties were $14.33/boe in fiscal 2000. The resulting net-back was $16.16/boe.

General and Administrative Expenses

General and administrative (G&A) expenses, net of capitalized overhead and operator recoveries, increased to $143,293 in 2000 from $79,652 in 1999. Total G&A expenses are expected to increase gradually throughout the coming year as the Company increases its activity levels, however it is expected that expenses on a unit basis (per boe) will decease as production levels increase.

Interest Expenses

No interest expense was incurred during the year, as the Company has no short or long term debt.

Depletion, Depreciation and Site Restoration

Total depletion and depreciation was $88,174 in 2000 compared to $5,922 in 1999 .

Income Tax

All current income taxes have been deferred using the Company's accumulated tax pools. It is anticipated that the Company will remain exempt from tax in 2001.

Net Income and Cash Flow

Net income was $1,507 for fiscal 2000. Cash flow for the year increased to $353,797, or $0.01 per share, compared to a cash flow deficiency of $132,522, or ($0.01) per share in 1999. Fourth-quarter 2000 cash flow increased substantially to $146,187, or $0.01 per share, primarily as a result of the acquisition of the Proprietary producing assets.

Capital Expenditures

For the year ended December 31, 2000, Invader's capital expenditures amounted to $474,451, compared to $393,032 for 1999. The increase in expenditures resulted from increased activity levels in Texas and the Arkoma Basin.

Liquidity and Capital Resources

The Company had a year-end working capital of $794,105. One private placement financing in the amount of $1,000,000 was completed in 2000. These funds were utilized primarily to finance drilling and completion operations in the Arkoma Project and in south Texas. A total of 5,000,000 Units consisting of 5,000,000 common shares and 5,000,000 common share purchase warrants were issued in the financing resulting in 19,737,175 shares outstanding at year end. Invader's year-end closing share price was $0.32.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Invader Exploration Inc. and all information in this Annual Report are the responsibility of management. The financial statements have been prepared by management in accordance with generally accepted accounting principles and include certain estimates that reflect management's best judgments.

Management maintains a system of internal controls that provides reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee meets periodically with management and the auditors to satisfy approval of the financial statements to the Board.

The external auditors, Davis Daignault Schick and Co., Chartered Accountants, were appointed by the shareholders and have conducted an independent examination of the financial statements. The Audit Committee, has reviewed these statements with management and the auditors, and has reported to the Board. The Board of Directors has approved the financial statements, which are contained in the Annual Report.

C Kathol

Conrad P. Kathol - President

May 10, 2001

AUDITORS' REPORT

To the Shareholders of:
INVADER EXPLORATION INC.

We have audited the consolidated balance sheet of INVADER EXPLORATION INC. as at December 31, 2000 and 1999 and the consolidated statements of income and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the company as at December 31, 2000 and 1999 and the consolidated results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

CALGARY, Alberta

Davis, Daignault, Schick & Co.

April 4, 2001

CHARTERED ACCOUNTANTS

INVADER EXPLORATION INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31

	2000	1999
ASSETS		
Current		
Cash	$ 389,188	$ 257,919
Accounts receivable	418,240	32,180
Deposits and prepaids	23,253	4,335
	830,681	294,434
Other - Note 4	125,488	42,010
Capital - Note 5	4,087,254	2,377,357
	$5,043,423	$2,713,801
LIABILITIES		
Current		
Accounts payable	$ 36,576	$ 75,076
Provision for site restoration	3,880	3,880
SHAREHOLDERS' EQUITY		
Share capital - Note 6	5,772,940	3,406,325
Deficit	(769,973)	(771,480)
	5,002,967	2,634,845
	$5,043,423	$2,713,801

Director: C Kathol

Director: Robert A McR

INVADER EXPLORATION INC.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31

	2000	1999
Revenue		
Oil and gas revenue net of royalties	$ 376,463	$ 87,993
Interest	8,847	6,987
	385,310	94,980
Expenses		
Well operating	152,336	64,382
General and administrative	143,293	79,652
Depletion and amortization	88,174	5,922
	383,803	149,956
Income (loss) before income taxes	1,507	(54,976)
Income taxes - Note 7	–	–
Net income (loss) for the year	1,507	(54,976)
Deficit, beginning of year	(771,480)	(716,504)
Deficit, end of year	$ (769,973)	$ (771,480)
Income (loss) per share:		
Basic	$ 0.00	$ (0.01)
Fully diluted	$ 0.00	$ (0.01)

INVADER EXPLORATION INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

	2000	1999
Operating activities:		
Net loss for the year	$ 1,507	$ (54,976)
Adjustments to reconcile income from operations to net cash provided:		
Amortization and depletion	88,174	5,025
Provision for site restoration	—	898
Gain on sale of investments	—	(2,835)
	89,681	(51,888)
Changes in operating assets and liabilities:		
Accounts receivable	(386,060)	197,417
Other assets	(18,918)	(870)
Accounts payable	(38,500)	37,863
Subscription deposits	—	(50,000)
Cash flows (used in) from operating activities	(353,797)	132,522
Investing activities:		
Receivable under forward purchase agreement	(69,489)	—
Sale of capital assets	26,380	—
Proceeds of sale of investments in private companies	—	7,985
Purchase of capital assets	(474,451)	(393,032)
Investment in private companies	(13,989)	—
Cash flows used in investing activities	(531,549)	(385,047)
Cash flows from financing activities:		
Proceeds of share issue	1,016,615	392,302
Net increase in cash	131,269	139,777
Cash, beginning of year	257,919	118,142
Cash, end of year	$ 389,188	$ 257,919
Cash flow per share:		
Basic	$ 0.01	$ 0.00
Fully diluted	$ 0.00	$ 0.00
Supplementary information:		
Interest paid	$ 5,313	$ —
Taxes paid	$ —	$ —

INVADER EXPLORATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND DECEMBER 31, 1999

Note 1: Basis of presentation

These consolidated financial statements have been prepared on the going concern basis that contemplates the realization of assets and settlement of liabilities in the normal course of business.

The company's activities over the past four years have been primarily directed towards the acquisition, exploration and development of natural gas properties in Oklahoma, Arkansas and Texas. The company's primary assets are the exploration and drilling rights acquired on blocks of land in those States. The company is still assessing the potential of these blocks of land and, as such, has not attained production at commercial levels. All costs related to exploration and development in the United States, net of incidental revenues, are being capitalized. Realization of these assets is dependent upon the discovery of petroleum and natural gas reserves in commercial quantities and upon the company raising debt or equity financing or entering into additional joint venture agreements with third parties to provide the funds required to continue the exploration and development of this property.

Note 2: Significant accounting policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

a) Basis of consolidation

These consolidated financial statements include the accounts of the company and its wholly owned subsidiary, Invader Exploration Corp.

b) Petroleum and natural gas properties

i) Capitalized costs

The company follows the full cost method of accounting for oil and gas operations, whereby all costs associated with the exploration for, and development of, oil and natural gas reserves are capitalized by cost centre. The company operates in two cost centres, Canada and the United States of America. Such costs include property acquisition expenditures, geological and geophysical expenses, carrying charges of non-productive properties, costs of drilling productive and non-productive wells, and plant and production equipment costs. Financing and administrative costs are capitalized only to the extent that they are directly related to capital projects. Proceeds from the sale of any interests in oil and gas properties

are applied against capitalized costs, with no gain or loss recognized, unless such a disposition would alter the rate of depletion by at least 20%.

Note 2: Significant accounting policies - continued

ii) Canadian cost centre

Costs accumulated in the Canadian cost centre are depleted using the unit-of-production method based on estimated net proven reserves, as determined by the company and reviewed yearly by independent consulting engineers. Natural gas production and reserves are converted to equivalent units of measure using a relative energy content.

The company applies a ceiling test to the costs of developed properties to ensure that capitalized costs (net of accumulated depletion) do not exceed the estimated future net revenues from production of proven reserves less estimated future administrative, financing and income tax costs. Future net revenues are based on prices and costs prevailing at the year end.

iii) United States cost centre

Activities in the United States are in the pre-production stage as exploration and early development continues to determine if reserves in economic quantities can be extracted. Accordingly all costs incurred in this cost centre have been capitalized. Depletion of these costs will not commence until production at economic levels has been attained.

The company annually reviews the capitalized costs associated with this cost centre to determine whether they are permanently impaired.

When costs are not likely to be recovered, a provision for impairment is made.

Unimpaired costs associated with the acquisition and evaluation of significant unproved properties are excluded from amounts subject to the ceiling test.

c) Other capital assets

Amortization of other equipment is provided using the declining balance method at rates ranging from 20% to 30% per annum.

d) Future site restoration costs

Future site restoration and reclamation costs are amortized using the unit of production method. These costs are based on management's estimates of the anticipated costs of site restoration net of expected recoveries. Removal and site restoration costs will be charged against the accumulated provision as incurred.

e) Measurement uncertainty

The amounts recorded for depletion and amortization of capital assets and the provision for future site restoration costs, are based on estimates of reserves and future costs. By their nature, these estimates and those related to future cash flows used to assess impairment, are subject to measurement uncertainty and the impact on future financial statements resulting from changes in such estimates could be material.

Note 2: Significant accounting policies - continued

f) Joint ventures

Substantially all of the company's oil and gas related activities are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the company's proportionate interest in such activities.

g) Earnings and cash flow per share

Earnings per share amounts have been computed using the weighted average number of shares outstanding during the year. A fully diluted earnings per share assumes the exercise of all options and share purchase warrants.

h) Financial instruments

The company's financial instruments are comprised of accounts receivable, deposits and prepaids, other assets, and accounts payable.

i) Fair value of financial assets and liabilities

The fair values of financial instruments approximate their carrying amount due to the short term maturity or capacity for prompt liquidation.

ii) Credit risk

Virtually all of the company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

iii) Foreign currency risk

The company is exposed to foreign currency fluctuations as oil and gas prices received are based on U.S. dollar denominated world prices.

Note 3: Acquisitions

On September 27, 2000, the company acquired certain oil and gas properties from Proprietary Industries Inc. at their estimated fair value of $1,350,000, payable by the issuance of 5,400,000 common shares at a price of $0.25 per share. This transaction resulted in a reverse takeover of Invader Exploration Inc. by Proprietary.

Note 4: Other assets

	2000	1999
Receivable under forward purchase agreement (i)	$ 69,489	$ —
Investment in private companies not subject to significant influence	55,999	42,010
	$ 125,488	$ 42,010

(i) On November 1, 2000, the company purchased 51 mmcf of natural gas for $102,000 U.S. The gas is deliverable in equal amounts over 25 months.

Balance remaining undelivered at December 31, 2000 - 48.92 mmcf	$ 145,857
Portion classified as current	76,368
	$ 69,489

Note 5: Capital assets

i) 2000

	Cost	Accumulated Amortization	Net Book Value
Oil and gas properties	$4,839,220	$ 757,597	$4,081,623
Other equipment	11,301	5,670	5,631
	$4,850,521	$ 763,267	$4,087,254

ii) 1999

	Cost	Accumulated Amortization	Net Book Value
Oil and gas properties	$3,042,642	$ 670,945	$2,371,697
Other equipment	9,808	4,148	5,660
	$3,052,450	$ 675,093	$2,377,357

During the year ended December 31, 2000, the company capitalized $12,828 (1999 - $55,861) of general and administrative expenditures relating to exploration and pre-production activities.

The cost of unproved properties excluded from the depletion base as at December 31, 2000 was $2,342,118 (1999 - $2,364,259).

Note 6: Share capital

a) Authorized:

Unlimited number of common shares without nominal or par value
Unlimited number of preferred shares without nominal or par value

b) Issued:

	Number of Shares	$
December 31, 1998	8,156,600	$3,058,643
Private placement issue	755,575	312,230
Flow through share issue	250,000	100,000
Estimated tax benefits renounced		(44,620)
Share issued costs		(19,928)
December 31, 1999	9,162,175	3,406,325
Private placement issue	5,175,000	1,035,000
Issued pursuant to property acquisition – Note 3	5,400,000	1,350,000
Share issued costs		(18,385)
December 31, 2000	19,737,175	$5,772,940

c) Escrow

1,299,399 (1999 – 3,681,628) of the issued shares are subject to escrow trading restrictions.

d) Stock options and warrants

The following stock options and warrants are outstanding to certain officers, directors, employees and consultants as of December 31, 2000:

i) Stock options:

Balance December 31, 1999	Exercise Price	Expiry Date	Issued	Expired	Balance December 31, 2000
85,000	$0.45	July 7, 2001	—	—	85,000
50,000	$0.45	June 15, 2002	—	—	50,000
694,060	$0.45	May 10, 2004	545,940	–	1,240,000
829,060			545,940	–	1,375,000

Note 6: Share capital - continued

ii) Warrants:

Balance December 31, 1999	Exercise Price	Expiry Date	Issued	Expired	Balance December 31, 2000
180,000	$0.50	Dec. 8, 2000	—	180,000	—
275,000	$0.60	June 14, 2001	—	—	275,000
18,075	$0.60	Oct. 7, 2001	—	—	18,075
362,500	$0.60	Oct. 14, 2001	—	—	362,500
100,000	$0.45	Sept. 14, 2000	—	100,000	—
—	$0.45	Oct. 24, 2002	100,000	—	100,000
—	$0.25	Oct. 16, 2001(iii)	5,175,000	—	5,175,000
935,575			5,275,000	(280,000)	5,930,575

iii) Stock purchase warrants exercisable at $0.25 until October of 2001 and may be exercised at $0.35 until October of 2002.

e) Flow-through shares

On September 30, 1999, the company completed the private placement of 250,000 flow-through Class "A" common shares at $0.40 per share. The paid up amount for flow-through shares and the cost of petroleum and natural gas properties were reduced by the estimated amount of the tax benefits renounced.

Note 7: Income taxes

Income taxes differ from the results which would be obtained by applying the combined federal and provincial income tax rates to earnings before income taxes.

The difference results from the following:

	2000	1999
Effective tax rate	45.82%	46.12%
Computed expected tax provision (recovery)	$ (7,131)	$ (24,530)
Effect on taxes of:		
Non-deductible crown payments	13,630	14,499
Share issue cost amortization	(23,549)	(21,291)
Loss carry-forward benefit not recognized	17,050	31,322
	$ —	$ —

The company has available approximately $1,790,823 in loss carry forwards and tax pools, the benefit of which has not been recognized in these financial statements.

Note 8: Segmented information

The company is involved in the acquisition, exploration, development and production of petroleum and natural gas resources in Canada and the United States of America. Assets and operations by geographic region are as follows:

	2000 Canada	1999 Canada	2000 United States	1999 United States
Revenue	$ 120,465	$ 94,980	$ 264,845	$ —
Operating (loss) income	(15,562)	(54,976)	17,069	—
Identifiable assets	1,035,853	197,437	4,007,570	2,516,364
Capital expenditures	94,829	2,939	379,622	390,093

Note 9: Related party transactions

a) Management fees of $6,000 (1999 - $ nil) were paid to a company in which the president was a principal shareholder.

b) At December 31, 2000, accounts receivable includes $218,583 (1999 - nil) receivable from Proprietary Industries Inc., which has a controlling interest in Invader Exploration Inc.

CORPORATE INFORMATION

OFFICERS AND DIRECTORS

Conrad P. Kathol – President and Director

Robert A. McPherson - Director

Edward S. Sampson – Director

Peter Workum - Director

HEAD OFFICE – CALGARY ALBERTA

1980, 700 – 4 Ave., S.W. T2P 3J4
Tel: (403) 264-7755 Fax: (403) 264-1131
E-mail: invader@invaderexploration.com
Web Site: www.invaderexploration.com

SOLICITOR

Greg Powers, Gregory Collver and Paul Trotter

AUDITORS

Davis, Daignault, Schick & Co.

REGISTRAR & TRANSFER AGENT

Computershare Investor Services

STOCK EXCHANGE LISTING

Canadian Venture Exchange: Symbol – INX

CORPORATE SHARE INFORMATION

Total Issued Common Shares		**19,737,175**
Warrants Outstanding	**5,930,575**	
Options Outstanding	**1,375,000**	
Fully Diluted Common Shares		**27,042,750**

Current Price Range: $0.35 to $0.45
52 Week: High $0.50 Low $0.12

Location Map of Prospects in South Texas

MANAGEMENT PROFILE

CONRAD KATHOL: Mr. Kathol, the President and a Director of the Corporation, was the founder of Invader and President of the Company since inception. Mr. Kathol is a Professional Engineer with 30 years of experience in the oil and gas industry working as a geologist, engineer and in senior management. Mr. Kathol is a director of several other public companies that are involved in oil and gas and mineral development throughout the world.

EDWARD SAMPSON: Mr. Sampson, a founding Director of the Company, has initiated and managed a series of successful business operations focused primarily on oil and gas exploration and development over the past 25 years. He is currently the Executive Chairman of Niko Resources Ltd., a highly successful international exploration company with operations focused in India.

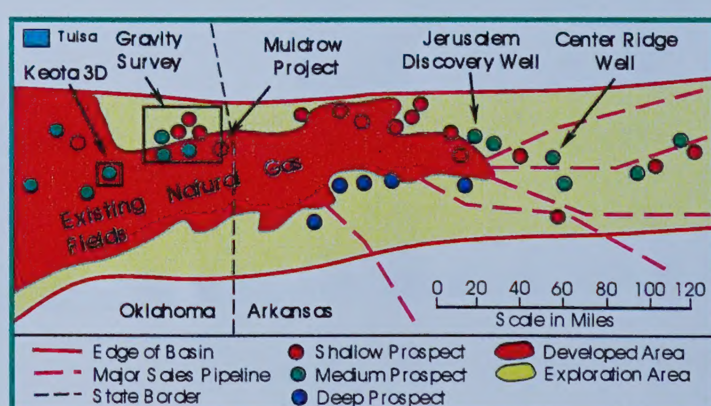
ROBERT McPHERSON: Mr. McPherson, a founding Director of the Company, has a doctorate degree in geology and is also a Professional Engineer with 34 years of oil and gas related experience. Mr. McPherson is the President of Hampton Court Resources Inc., a Canadian Venture Exchange listed public company, which is active in international oil and gas and mineral exploration.

PETER WORKUM: Mr. Workum, a Director of the Company, has initiated and managed a series of successful business operations focused on oil and gas, real estate and mining over the past 21 years. He is currently the President of Proprietary Industries Inc., a highly successful TSE listed public company.

ROBERT HOBBS: Financial and Corporate Advisor
- Certified Management Accountant – 33 years experience

JEAN ROY: Technical Advisor - Professional Geophysicist
- 18 years of international oil and gas exploration experience.

ASHLEY STAUCH: Technical Advisor – Prof. Geophysicist
- 23 years of international oil and gas experience, 7 years of prospect & property evaluation with Sproule Canada



Exploration and Development Projects in the Arkoma Basin